

WASHINGTON-House Subcommittee on Financial Institutions and Consumer Credit Chairman Spencer Bachus today released the following statement on Chairman Greenspan's comments on the Fair Credit Reporting Act during a hearing yesterday before the House Committee on Financial Services:

"It is heartening that Chairman Greenspan agrees that this issue is a priority for the 108th Congress. The committee will work diligently this year to ensure that borrowers, lenders, and consumers alike are not damaged by a congressional failure to renew the important provisions in the Fair Credit Reporting Act."

"The Fair Credit Reporting Act is essential to the United States economy. Both lenders and borrowers depend on the exchange of information allowed by the Fair Credit Reporting Act. As Chairman Greenspan said in response to my questions at yesterday's hearing, the fact that consumers and households across the country have access to credit at reasonable rates is an impossible notion without the free flow of data that is a hallmark of the current system.

"The public benefits greatly from having a National credit reporting system. It is the consumer who will be the most negatively affected if the Fair Credit Reporting Act is not renewed and the free flow of credit ceases. This impact will not only be felt by individuals, but by the economy as a whole, since consumer spending has played a key role in supporting the economy over the past few years.

What follows is an unofficial transcript of the exchange between Chairman Bachus and Federal Reserve Board Chairman Alan Greenspan:

Chairman Bachus: Chairman Greenspan, I want to focus on one issue that's not discussed a lot, but which is very important. And that's the Fair Credit Reporting Act will be - the preemption provisions will be expiring at the end of this year. The Fair Credit Reporting Act gives us a national credit reporting system with uniform standards. Would you comment on the importance of maintaining a national credit reporting system, the advantages of that, how important you think it is that we re-authorize Fair Credit Reporting Act, what maybe some of the detriment if we don't?

Today, it gives us great flexibility, and we're able to assess credit risk well. And it's very beneficial to have this national system for consumers and also for our financial institutions. I'll just let you comment on it.

Chairman Greenspan: Well, Congressman, 100 years ago, when we just had small banks dealing with individual customers, you knew what the credit quality of your loans was. You knew the families to whom you were lending. You knew the businesses. And you didn't need a data bank.

But as we became ever larger and far more complex and as our financial system, especially that which relates to consumer credit, became huge in the post-World War II period, there was no other way to handle a fair evaluation of the credit standing of individual borrowers unless it was, in one way or another, more automated. And we needed to build up some means of history that would essentially enable us to, as bankers say, to make judgments without knowing the person personally and not having in front of them a great deal of information, especially because you may not have any way of doing that.

These data systems are going to be essential, in my judgment, to enable consumers to have access to credit. In other words, back - it's not that long ago when going into a bank and trying to get a consumer loan was just never conceived as an appropriate thing to do. You went to a pawnbroker. You didn't go to a bank. They didn't make consumer loans.

That has changed, and it has been a dramatic - has a dramatic impact, I think, on consumers and households and their access to credit in this country at reasonable rates. That system cannot function without data, without the credit histories of individual borrowers. And I should certainly hope that it is maintained.

Chairman Bachus: And in saying that, it's very important that we reauthorize the Fair Credit

Reporting Act, to our economy and to consumers?

Chairman Greenspan: Yes.

Chairman Bachus: Thank you. Let me just close by saying I've read your prepared remarks and what you delivered here today. Let me sort of capsule (ph) maybe one thing I got out of that. And that's that we must reform Medicare and Social Security and do it sooner as opposed to later and that's a critical importance to our economy and to our financial stability.